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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003918

SIPDIS

STATE PASS AIT/W

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TAGS: [PREL](#) [PGOV](#) [TW](#)

SUBJECT: CHEN REJECTS USG CRITICISM OVER NAME CHANGE

REF: A. TAIPEI 3854

[B](#). TAIPEI 3797

[C](#). TAIPEI 3851

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#). (C) Summary: President Chen Shui-bian has reacted sharply to the State Department Deputy Spokesman's December 6 warning over Chen's plans to rename state-owned firms and overseas representative offices using "Taiwan." On the campaign trail, Chen has accused the USG of carrying water for Beijing and boasted that he will proceed with his name change plans regardless of U.S. or PRC objections. Chen has also drawn parallels between his determination to stand up to pressure from Washington and Beijing over the name change issue and his defense of his constitution plan during and after the presidential election campaign. Chen's aides claim that they were surprised over the strong USG reaction to Chen's name change proposal, and insist that Washington simply fails to grasp the domestic setting behind Chen's statement. Pro-independence supporters of the president have publicly accused the USG of a double standard and interfering in Taiwan's internal affairs. Democratic Progressive Party (DPP) moderates say they understand the strong USG reaction, but assert that if Chen's hard-line rhetoric succeeds in limiting the post-election power base of the Taiwan Solidarity Union (TSU), it will help stabilize cross-Straits relations in the medium term. End Summary.

Beijing's Mouthpiece?

[2](#). (C) In a series of campaign appearances on December 7-8, President Chen Shui-bian openly criticized the State Department Deputy Spokesman's December 6 warning over Chen's pledge to change the name of State-Owned Enterprises (SOEs) and Taiwan overseas offices (Ref A). On December 7, Chen told a crowd in Tainan City that the State Department was speaking on Beijing's behalf, as it did regarding the constitution issue during the presidential election. Chen asserted that people were frightened by U.S. warnings over unilateral changes to the status quo during the last election campaign. However, Chen boasted that he stayed the course anyway, adding that "just because Beijing opposes something doesn't mean we don't dare to do it."

[3](#). (C) In sharp contrast to the repeated public assurances that Taiwan would work to protect cross-Straits stability and the status quo that followed the State Department's November 29 public warning over the constitution (Ref B), the December 6 statement led Chen to raise the level of his anti-China rhetoric. Chen told the Tainan audience that one of his post-election responsibilities would be to "clarify for the international community the differences between China (Zhongguo) and Taiwan." He also reiterated his intention to apply for UN membership under the title "Taiwan" (Ref C). At a rally in Taipei City the following day, Chen said that "as long as we recognize that Taiwan is our name, and we say this loud and clear, we don't need to worry, we don't need to fear -- China (Zhonggong) has tried to use scare tactics before." Chen continued, "throughout Taiwan's democratization process, from the start of legislative elections, to the direct election of the president, to the change in party power, to the referendum, when has China ever expressed support? When have they ever not threatened us?"

Official Spin(s)

[4](#). (C) Privately, Chen aides say they were surprised by the speed and toughness of the USG response. During a December 8 lunch with the AIT Director, Mainland Affairs Council (MAC) Chairman Joseph Wu defended the president's initiatives as being purely domestic in nature. Wu said that the names of SOEs like China Petroleum have long caused "confusion" among Taiwan's populace. Wu asserted that changing the names of state-controlled institutions was fundamentally different from altering Taiwan's legal definitions. When the Director noted that the USG took a very different view of the issue, Wu insisted that it was Taiwan's right to rename its government-controlled institutions anyway. This sentiment was echoed in public comments by leaders of the DPP's pro-independence wing, including Presidential Advisor Koo

Kuang-ming and Wu's uncle, Presidential Advisor Wu Li-peil. Koo denounced the U.S. for arrogantly interfering in Taiwan's internal affairs while Wu cited the name "American Institute in Taiwan" to chide the USG for double standards on the nomenclature issue.

15. (C) A number of Chen aides have also suggested in both public and private that the USG must have been misinformed over the context of the president's December 5 remarks. Presidential Office Deputy Secretary General James Huang told AIT that he did not expect the USG to take Chen's name change initiative so seriously. If he had, Huang continued, he would have contacted AIT to put the comments in context. Huang asserted that the name change portion of Chen's remarks was only one small part of what was otherwise an extremely moderate message. The most important element of Chen's speech, Huang continued, was the president's characterization of his role as the "balancer" within Taiwan's political world. Huang stated that when the president decided on the contents of his December 5 speech, his sole concern was to craft a message that would deprive Lee Teng-hui of the ability to seize the election agenda with his demands for a de jure change in the national title. Huang said the name change for foreign missions theme was decided upon because it was part of an ongoing policy effort the DPP inherited from the KMT government. Huang added that the Saturday strategy session considered, then rejected, the idea of repeating Chen's call to enter the UN under the "Taiwan" title as too sensitive. Foreign Minister Mark Chen told the AIT Director that he and Vice President Annette Lu objected to the UN proposal. (Comment: Despite warnings from his advisors on December 4, Chen apparently decided that the issue was not sensitive enough to avoid repeating on December 7. End Comment).

#### Plea for Patience

16. (C) Senior officials in the DPP's moderate New Tide Faction tell AIT they fully understand the USG's concerns over Chen's name change proposal, but urge Washington to have patience. Executive Yuan (EY) Research, Development, and Evaluation (RDEC) Council Vice Minister Chen Chun-lin told AIT that Chen's lurch to the left in the final weeks of the campaign could serve the interests of medium term stability. "If we can keep the TSU to less than 15 seats, they will be marginalized in the upcoming constitutional reform debate," Chen assessed. However, he warned that if the TSU did much better than that, "they could drive the agenda in dangerous ways." New Tide elder and Taiwan Stock Exchange Corporation (TSEC) Chairman Wu Nai-jen offered a similar assessment. He asserted that if the DPP has the upper hand in the balance of LY seats, it could force the TSU into a formal coalition government that would require the TSU to defer to the DPP on issues like constitutional reform and cross-Strait relations.

#### AIT Response: Not the Messenger but the Message

17. (C) AIT has pushed back against accusations that the USG is over-exaggerating the significance of "election talk" and fails to grasp Taiwan's domestic political dynamics. In meetings with senior Chen administration officials, AIT has noted that supposedly "empty campaign rhetoric" from the last election on referenda and constitutional reform has evolved into major policy initiatives. AIT has also reminded Chen administration officials of the president's own promises early in the campaign to avoid provocative campaign language that could endanger post-election prospects for renewing cross-Strait dialogue. Japanese Interchange Association (JIA) Deputy Director Hiroto Hirakoba told AIT that his office has delivered a similar message to Chen administration officials over the past several days. Hirakoba expressed amazement at Chen's willingness to damage his relationship with the USG for the sake of a few votes on December 11.

#### Comment: Willful Disregard

18. (C) Chen has apparently decided that solidifying his dark Green base on December 11 and establishing name change as a core element in the DPP's post-election agenda is more important than rebuilding his relationship with Washington. Or, he may calculate he can weather the storm, arguing as Lee Teng-hui has done this week, that the U.S. has no choice but to support Chen and Taiwan. Chen's prickly reaction to the Deputy Spokesman's December 6 statement largely mirrors his initial reaction to President Bush's December 9, 2003 warning over changing the status quo. As he did with his constitution and referendum initiatives last year, Chen has used campaign remarks to introduce an issue that will outlast the current election campaign. While more spin is likely to follow, the fundamental policy course has clearly been set. Moderates in the DPP may hope that a poor TSU showing on Saturday will quiet voices on the extreme left. However, given Chen's self-proclaimed role as the "balancer" of Taiwan's political process, it is unlikely that he will want

to see the demise of the party that best represents his own  
ideological roots.  
PAAL